



CHINA ENERGY LIMITED
(Company Registration No: 200510060K)

**FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE THREE MONTHS
ENDED 31 MARCH 2014**

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3),
HALF-YEAR AND FULL-YEAR RESULTS**

- 1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

CONSOLIDATED INCOME STATEMENT

	Note	Group		
		For the 3 months ended		
		31-Mar-14	31-Mar-13	Changes
		RMB'000	RMB'000	%
Sales		405,900	473,596	(14.3)
Cost of sales		(438,872)	(473,779)	(7.4)
Gross loss		(32,972)	(183)	17,917.5
Other income		4,402	2,170	102.9
Interest income		3,240	1,098	195.1
Expenses				
- Selling and distribution		(3,476)	(3,103)	12.0
- Administrative		(32,390)	(27,323)	18.5
- Interest		(35,279)	(31,315)	12.7
Loss before income tax	(a)	(96,475)	(58,656)	64.5
Income tax expense		-	-	N.M
Loss attributable to equity holders of the Company		(96,475)	(58,656)	64.5

This set of interim financial statements should be read in conjunction with the latest audited financial statements of the Group for the financial year ended 31 December 2013.

These figures have not been audited.

N.M: Not meaningful

Statement of Comprehensive Income

	Group	
	For the 3 months ended	
	31-Mar-14	31-Mar-13
	RMB'000	RMB'000
Loss for the financial period	(96,475)	(58,656)
Other comprehensive gain, after tax:		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on consolidation	3	381
	3	381
Total comprehensive loss for the financial period and total comprehensive loss attributable to owners	(96,472)	(58,275)

Notes to Consolidated Income Statement

(a) Loss before income tax

Loss before income tax was arrived at after charging (crediting) the following items:

	Group		
	For the 3 months ended		
	31-Mar-14	31-Mar-13	Changes
	RMB'000	RMB'000	%
Depreciation of property, plant and equipment	19,058	19,202	(0.7)
Amortisation of land use rights	1,336	1,504	(11.2)
Amortisation of intangible assets	1	17	(94.1)
Loss on disposal of property, plant and equipment	720	39	1,746.2
Allowance for impairment of trade receivables - net	-	-	N.M
Allowance for impairment in inventories	2,478	174	1,324.1
Adjustment for (over)/under provision of tax in respect of prior years	-	-	N.M
Foreign exchange loss (gain) - net	364	(653)	N.M
The following items were written off against the respective allowances made			
Bad debts - net	-	-	N.M
Inventories	5,467	-	N.M

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	31-Mar-14 RMB'000	31-Dec-13 RMB'000	31-Mar-14 RMB'000	31-Dec-13 RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	1,581,056	1,526,012	-	-
Land use rights	213,684	215,020	-	-
Intangible assets	1	2	-	-
Investment in subsidiaries	-	-	270,549	266,324
	<u>1,794,741</u>	<u>1,741,034</u>	<u>270,549</u>	<u>266,324</u>
Current assets				
Inventories	95,973	151,280	-	-
Trade and other receivables	295,820	272,727	5,152	2,269
Income tax recoverable	14,005	14,005	-	-
Other current assets	111,495	118,854	74	53
Cash and bank balances	704,654	659,989	758	3,876
	<u>1,221,947</u>	<u>1,216,855</u>	<u>5,984</u>	<u>6,198</u>
Total assets	<u><u>3,016,688</u></u>	<u><u>2,957,889</u></u>	<u><u>276,533</u></u>	<u><u>272,522</u></u>
EQUITY AND LIABILITIES				
EQUITY				
Share capital and reserves				
Share capital	1,135,287	1,135,287	1,135,287	1,135,287
Reserves	(992,111)	(895,639)	(861,117)	(864,575)
Total equity	<u>143,176</u>	<u>239,648</u>	<u>274,170</u>	<u>270,712</u>
LIABILITIES				
Current liabilities				
Trade and other payables	2,024,166	1,888,965	2,363	1,810
Short-term bank loans	730,000	705,000	-	-
Deferred income	39,640	39,640	-	-
Provisions	79,706	84,636	-	-
	<u>2,873,512</u>	<u>2,718,241</u>	<u>2,363</u>	<u>1,810</u>
Total liabilities	<u>2,873,512</u>	<u>2,718,241</u>	<u>2,363</u>	<u>1,810</u>
Total equity and liabilities	<u><u>3,016,688</u></u>	<u><u>2,957,889</u></u>	<u><u>276,533</u></u>	<u><u>272,522</u></u>

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

- Amount repayable in one year or less, or on demand
- Amount repayable after one year

	Group 31-Mar-14		Group 31-Dec-13	
	Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Bank loans	<u>200,000</u>	<u>530,000</u>	<u>200,000</u>	<u>505,000</u>
Of which:				
Amount due within 1 year	200,000	530,000	200,000	505,000
Amount due after 1 year	-	-	-	-
	<u>200,000</u>	<u>530,000</u>	<u>200,000</u>	<u>505,000</u>

The RMB 200.0 million long-term loan has a tenure of two years (due in July 2014) and is jointly secured by (i) a corporate guarantee from Jiutai Energy Technology Co., Ltd., a wholly-owned subsidiary of the Company, (ii) a personal guarantee from Mr Cui Lianguo, the controlling shareholder, the Chairman and Chief Executive Officer ("CEO") of the Company; and (iii) land use rights and property, plant and equipment of Jiutai Energy (Guangzhou) Co., Ltd., a wholly-owned subsidiary of the Group.

1(c) A statement of cash flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED STATEMENT OF CASH FLOWS

	For the 3 months ended		
	31 March 2014	31 March 2013	
	Note	RMB'000	RMB'000
Cash flows from operating activities			
Loss before income tax		(96,475)	(58,656)
Adjustments for:			
Interest expenses		35,279	31,315
Depreciation of property, plant and equipment		19,058	19,202
Net loss on disposal of property, plant and equipment		720	39
Amortisation of land use rights		1,336	1,504
Effects of foreign exchange on translation		5	381
Amortisation of intangible assets		1	17
Unrealised exchange gain on loan from related parties		-	(159)
Interest income		(3,240)	(1,098)
Operating cash flow before working capital changes		(43,316)	(7,455)
Change in operating assets and liabilities			
Inventories		55,307	(10,884)
Trade and other receivables		(22,465)	(18,167)
Other current assets		7,827	16,571
Trade and other payables		48,827	157,943
Cash generated from operations		46,180	138,008
Interest income received		2,612	697
Net cash generated by operating activities		48,792	138,705
Cash flows from investing activities			
Purchase of property, plant and equipment		(86,297)	(13,112)
Proceeds from disposal of property, plant and equipment		466	90
Net cash used in investing activities		(85,831)	(13,022)
Cash flows from financing activities			
Proceeds from (Repayment of) bank loans - net		25,000	(10,000)
Advances from related parties - net		92,404	133,301
Increase in restricted bank deposits		(70,551)	(62,160)
Interest expense paid		(35,700)	(29,725)
Net cash generated from financing activities		11,153	31,416
Net (decrease) increase in cash and cash equivalents		(25,886)	157,099
Cash and cash equivalents at beginning of the financial period		95,326	169,401
Cash and cash equivalents at end of the financial period	(i)	69,440	326,500
Note (i): Cash and cash equivalents at end of financial period consist of:			
Cash and bank balances		704,654	870,460
Less: Restricted bank deposits		(635,214)	(543,960)
Cash and cash equivalents at end of the financial period		69,440	326,500

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share capital	Statutory reserves#	Warrant reserve	Share option reserve	Revaluation reserve	Currency translation	Accumulated losses	Total equity
Group	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2014	1,135,287	74,241	4,360	12,993	40,854	15,465	(1,043,552)	239,648
Total comprehensive loss for the first quarter ended 31 March 2014	-	-	-	-	-	3	(96,475)	(96,472)
Balance at 31 March 2014	1,135,287	74,241	4,360	12,993	40,854	15,468	(1,140,027)	143,176
Balance at 1 January 2013	1,135,287	73,475	4,360	12,993	40,854	14,555	(765,467)	516,057
Total comprehensive loss for the first quarter ended 31 March 2013	-	-	-	-	-	381	(58,656)	(58,275)
Balance at 31 March 2013	1,135,287	73,475	4,360	12,993	40,854	14,936	(824,123)	457,782
Total comprehensive loss for the second quarter ended 30 June 2013	-	-	-	-	-	552	(64,376)	(63,824)
Balance at 30 June 2013	1,135,287	73,475	4,360	12,993	40,854	15,488	(888,499)	393,958
Transfer to statutory reserve in accordance with statutory requirements	-	795	-	-	-	-	(795)	-
Total comprehensive loss for the third quarter ended 30 September 2013	-	-	-	-	-	21	(77,523)	(77,502)
Balance at 30 September 2013	1,135,287	74,270	4,360	12,993	40,854	15,509	(966,817)	316,456
Total comprehensive loss for the fourth quarter ended 31 December 2013	-	-	-	-	-	(44)	(76,764)	(76,808)
Adjustment to statutory reserve in accordance with statutory requirements	-	(29)	-	-	-	-	29	-
Balance at 31 December 2013	1,135,287	74,241	4,360	12,993	40,854	15,465	(1,043,552)	239,648

	Share capital	Statutory reserves#	Warrant reserve	Share option reserve	Revaluation reserve	Currency translation reserve	Accumulated losses	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Company								
Balance at 1 January 2014	1,135,287	-	4,360	12,993	-	(18,252)	(863,676)	270,712
Total comprehensive income for the first quarter ended 31 March 2014	-	-	-	-	-	4,281	(823)	3,458
Balance at 31 March 2014	1,135,287	-	4,360	12,993	-	(13,971)	(864,499)	274,170
Balance at 1 January 2013	1,135,287	-	4,360	12,993	-	10,932	(671,661)	491,911
Total comprehensive loss for the first quarter ended 31 March 2013	-	-	-	-	-	(8,948)	(820)	(9,768)
Balance at 31 March 2012	1,135,287	-	4,360	12,993	-	1,984	(672,481)	482,143
Total comprehensive income for the second quarter ended 30 June 2013	-	-	-	-	-	(18,009)	29,105	11,096
Balance at 30 June 2013	1,135,287	-	4,360	12,993	-	(16,025)	(643,376)	493,239
Total comprehensive loss for the third quarter ended 30 September 2013 ##	-	-	-	-	-	1,595	(206,567)	(204,972)
Balance at 30 September 2013	1,135,287	-	4,360	12,993	-	(14,430)	(849,943)	288,267
Total comprehensive loss for the fourth quarter ended 31 December 2013 ###	-	-	-	-	-	(3,822)	(13,733)	(17,555)
Balance at 31 December 2013	1,135,287	-	4,360	12,993	-	(18,252)	(863,676)	270,712

These items represent amounts set aside for the reserve fund and enterprise expansion fund, in compliance with local laws in the PRC, where subsidiaries of the Group operate. The reserve fund can only be used, upon approval by the relevant authority, to offset prior year's losses or to increase capital, while the enterprise expansion fund can only be used to increase capital, upon approval by the relevant authority.

The total comprehensive loss for 3QFY2013 included a RMB 205.8 million of impairment in the Company's investments in its subsidiaries. This impairment has no effect on the results of the Group.

The total comprehensive loss for 4QFY2013 included a RMB 12.6 million of impairment in the Company's investments in its subsidiaries. This impairment has no effect on the results of the Group.

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

Share Capital

<u>Issued and fully paid</u>	<u>No. of Shares</u>	<u>RMB'000</u>
Balance as at 31 March 2014 and 31 March 2013	<u>1,252,885,000</u>	<u>1,135,287</u>

On 7 April 2009, the Company issued 10 million warrants, convertible into 10 million ordinary shares in the Company, in relation to services performed in connection with the restructuring of loans (see Announcement dated 8 April 2009). As at 31 March 2014, 10 million (31 March 2013: 10 million) warrants were outstanding. The 10 million warrants had expired on 4 April 2014.

As at 31 March 2014, a total of 26 million (31 March 2013: 26 million) share options were granted under the China Energy Employee Share Option Scheme ("ESOS") to directors and employees of the Group. During the three-month financial period ended 31 March 2014, no shares (1QFY2013: Nil) were issued by virtue of the exercise of share options granted under the ESOS and no share options to take up unissued shares in the Company were cancelled under the ESOS.

Upon the exercise of the 10 million warrants and 26 million share options, the number of shares in issue would be 1,288,885,000 (31 March 2013: 1,288,885,000).

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

As at 31 March 2014 and 31 December 2013, there were no treasury shares.

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have been reviewed by the independent auditors of the Company.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Please see review report from the independent auditors as enclosed in Annexure I.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

In accordance with the requirements of the Singapore Financial Reporting Standards ("FRS"), with effect from 1 January 2014, the Group adopted the following revised FRSs, which are relevant to the Group and effective for the annual period beginning on 1 January 2014.

FRS 27 (Revised)	Separate Financial Statements
FRS 110	Consolidated Financial Statements
FRS 112	Disclosures of Interests in Other Entities
Amendments to FRS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to FRS 36	Recoverable Amount Disclosure for Non-Financial Assets

The adoption of the revised accounting standards did not have any significant effect on the results of the Group.

Other than that described above, the Group has applied the same accounting policies and methods of computation to the financial statements for the current financial period as those applied to the audited financial statements for the financial year ended 31 December 2013.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Not applicable.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group	
	For the 3 months ended	
	31-Mar-14	31-Mar-13
Net loss attributable to members of the Company (RMB'000)	<u>(96,475)</u>	<u>(58,656)</u>
Weighted average number of ordinary shares in issue for the computation of basic loss per share ('000)	<u>1,252,885</u>	<u>1,252,885</u>
Weighted average number of ordinary shares in issue for the computation of diluted loss per share ('000)	<u>1,252,885</u>	<u>1,252,885</u>
Basic loss per share (RMB cents)	<u>(7.7)</u>	<u>(4.7)</u>
Diluted loss share (RMB cents)	<u>(7.7)</u>	<u>(4.7)</u>

On 7 April 2009, the Company issued 10 million warrants in connection with services performed for the restructuring of loans (see Announcement dated 8 April 2009). The 10 million warrants are convertible into 10 million ordinary shares of the Company upon payment of the exercise price. As at 31 March 2014, 10 million (31 March 2013: 10 million) warrants were outstanding. The 10 million warrants had expired on 4 April 2014.

As at 31 March 2014, under the ESOS, the Company had 26 million (31 March 2013 26 million) share options issued and outstanding. Each share option is convertible into one ordinary share of the Company upon payment of the exercise price.

Diluted loss per share for the three-month financial period ended 31 March 2014 and 31 March 2013 were the same as basic loss per share because the warrants and the share options were anti-dilutive.

7. Net asset value (for the issuer and group) per ordinary share based on total number of issued shares excluding treasury shares of the issuer at the end of the:-

- (a) current financial period reported on; and
(b) immediately preceding financial year.

	31-Mar-14		31-Dec-13	
	Group	Company	Group	Company
Net assets (RMB'000)	143,176	274,170	239,648	270,712
Number of ordinary shares ('000)	1,252,885	1,252,885	1,252,885	1,252,885
Net Asset Value per share (RMB cents)	<u>11.4</u>	<u>21.9</u>	<u>19.1</u>	<u>21.6</u>

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business, it must include a discussion of the following:-

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Consolidated Income Statement – first quarter ended 31 March 2014 (“1QFY2014”) performance

(a) Sales and gross profit margin

Sales decreased by 14.3% or RMB 67.7 million from RMB 473.6 million in 1QFY2013 to RMB 405.9 million in 1QFY2014. In 1QFY2014, sales of dimethyl ether (“DME”) and methanol amounted to RMB 314.1 million (77.4%) and RMB 91.8 million (22.6%) respectively. In 1QFY2013, sales of DME and methanol amounted to RMB 448.1 million (94.6%) and RMB 25.5 million (5.4%) respectively.

	3 months ended		
	31-Mar-14	31-Mar-13	Change %
Volume of DME sold	80,200	122,980	(34.8)
Average price of DME sold (RMB/ton)	3,916	3,640	7.6

The RMB 67.7 million decrease in sales was attributable largely to the RMB 134.0 million decrease in sales of DME, which was offset partly by a RMB 66.3 million increase in sales of methanol. The decrease in sales of DME was attributable largely to a 34.8% reduction in the volume of DME sold from approximately 122,980 tons in 1QFY2013 to approximately 80,200 tons in 1QFY2014. The 7.6% increase in the average selling price of DME from RMB 3,640/ton in 1QFY2013 to RMB 3,916/ton in 1QFY2014 was unable to offset the full impact of the reduction in the volume of DME sold.

The increase in the volume of methanol sold was attributable largely to the increase in purchase of methanol from a related party, Jiutai Energy (Inner Mongolia) Co., Ltd. ("Jiutai Inner Mongolia"), for trading purposes.

The gross loss margin increased from a near breakeven in 1QFY2013 to 8.1% in 1QFY2014 due to (i) the increase in the average selling price of DME was less than the increase in the price of methanol (feedstock for DME) which resulted in the decrease in the price spread between DME and methanol and (ii) the fixed costs associated with our methanol plant.

(b) Other income

Other income increased by RMB 2.2 million from RMB 2.2 million in 1QFY2013 to RMB 4.4 million in 1QFY2014. The increase was attributable largely to a RMB 1.7 million increase in compensation income receivable from a related party, Jiutai Inner Mongolia, in accordance with the DME supply agreement dated 8 January 2010.

(c) Interest income

Interest income increased by RMB 2.1 million from RMB 1.1 million in 1QFY2013 to RMB 3.2 million in 1QFY2014. The increase was attributable largely to an increase in the average balance of interest-bearing restricted deposits placed with the banks for the purpose of utilisation of trade financing facilities.

(d) Expenses

Expenses increased by RMB 9.4 million from RMB 61.7 million in 1QFY2013 to RMB 71.1 million in 1QFY2014. The increase was attributable largely to a RMB 5.1 million increase in administrative expenses and a RMB 4.0 million increase in interest expense.

The RMB 5.1 million increase in administrative expenses was attributable largely to a RMB 2.6 million increase in research and development expenses and a RMB 1.3 million increase in staff cost as a result of salary adjustments and a RMB 0.7 million increase in contributions to defined contribution plan due to increase in the contribution rates.

The RMB 4.0 million increase in interest expense was due largely to an increase in both the average bank loan balance and the amount of trade financing facilities utilised resulting in higher interest expenses amounting to RMB 6.9 million which was offset partly by a RMB 2.9 million reduction in facility fees incurred.

(e) Loss attributable to shareholders of the Company

The Group incurred a net loss attributable to shareholders of the Company of RMB 96.5 million and a total comprehensive loss of RMB 96.5 million 1QFY2014.

The RMB 32.8 million increase in gross loss and the RMB 9.4 million increase in expenses was offset partly by a RMB 2.2 million increase in other income and a RMB 2.1 million increase in interest income, which resulted in an increase in the loss after income tax amounting to RMB 37.8 million.

Consolidated Statement of Financial Position as at 31 March 2014

Other current assets of RMB 111.5 million pertained largely to prepayments for land use rights, raw materials and prepaid interest (for trade financing facilities), which amounted to RMB 46.1 million, RMB 41.8 million and RMB 20.9 million respectively.

Trade and other payables of RMB 2.024 billion pertained largely to RMB 358.6 million in interest-free advances from a related party, Shandong Jiutai Chemical Technology Co., Ltd (“Jiutai Chemical”), RMB 1.539 billion in trade financing facilities payables, RMB 68.0 million in trade payables and advance payments from customers and RMB 35.7 million in payables to construction contractors.

As at 31 March 2014, the Group's net current liabilities amounted to RMB 1.652 billion (31 December 2013: RMB 1.501 billion). Subject to continuing support from the banks and related parties, the Directors are of the view that the Company and the Group will be able to meet their debts as and when they fall due. The ability of the Group to continue as a going concern is dependent on its ability to meet its day-to-day working cash flow requirements from a combination of the working capital generated from operations and financing from banks and related parties. In the assessment of the going concern assumption, management prepared a cash flow projection and the directors of the Company are of the opinion that the Group has adequate resources to continue as a going concern for the foreseeable future.

The Directors are of the opinion that the Group has continuing support from the banks and related parties, as shown by the following:-

- (a) During 1QFY2014, the Group obtained new loans amounting to RMB 85.0 million and made scheduled repayments amounting to RMB 60.0 million. The banks that provided the new loans to the Group are banks that have existing banking relationships with the Group;
- (b) During 1QFY2014, Jiutai Chemical, a related party, continued to grant interest-free advances to the Group. As at 31 March 2014, RMB 358.6 million of interest-free advances remained outstanding;
- (c) In the course of management's dealing with its bankers, no matters have been drawn to its attention to indicate that the bankers intend to terminate their existing banking relationships with the Group; and

- (d) Lianguo Holdings Limited, a related party, had provided a letter of financial support to the Company stating that financial support from related parties, for a period of not less than one year from 11 April 2014, will be available to the Group so long as Mr Cui Lianguo remains as the controlling shareholder (having an interest in at least 15% of the Company's issued capital) or the largest shareholder of the Company.

There was no material variance in the Group's statement of financial position items between 31 March 2014 and 31 December 2013 except for the following:

- (a) Property, plant and equipment increased by RMB 55.0 million. This increase was attributable to net additions of RMB 74.1 million which was offset partly by depreciation of RMB 19.1 million.
- (b) Inventories decreased by RMB 55.3 million. This decrease was due largely to a RMB 39.6 million decrease in the stock of methanol (feedstock for DME) and a RMB 20.0 million decrease in the stock of DME held as at 31 March 2014.
- (c) Trade and other receivables increased by RMB 23.1 million. This increase was attributable largely to a RMB 18.3 million increase in value-added tax recoverable.
- (d) Other current assets decreased by RMB 7.4 million. This decrease was due largely to a RMB 1.9 million decrease in prepayment of raw materials and a RMB 6.1 million decrease in prepaid interest (for trade financing facilities).
- (e) Cash and bank balances increased by approximately RMB 44.7 million. This increase was attributable largely to a RMB 70.6 million increase in restricted deposits placed with the banks for the utilisation of trade financing facilities which was offset partly by a RMB 25.9 million decrease in cash and cash equivalents.
- (f) Trade and other payables increased by RMB 135.2 million. This increase was attributable largely to a RMB 80.9 million increase in trade financing facilities payables, a RMB 92.4 million increase in interest-free advances from a related party (Jiutai Chemical) which was offset partly by a RMB 32.0 million decrease in trade payables and advance payments by customers and a RMB 6.1 million decrease in the amount payable to construction contractors.
- (g) As at 31 March 2014, the Group's short-term bank loans amounted to RMB 730.0 million. Bank loans increased by RMB 25.0 million. In 1QFY2014, the Group obtained new loans amounting to RMB 85.0 million and made scheduled repayments amounting to RMB 60.0 million.
- (h) Provisions decreased by RMB 4.9 million. The provisions were made in relation to unbilled amounts for contracts signed and/or work done to date in relation to Methanol Phase III, which the Group intended to terminate. During 1QFY2014, payments amounting to RMB 4.9 million were made.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The PRC government has been searching for alternative sources of energy to reduce air pollution and decrease the country's reliance on imported oil. Currently, about 50% of the country's oil requirement is imported. From a national security perspective, being able to ensure the security of its energy supply is a matter of vital concern to the PRC government. As the PRC has the third-largest coal reserves in the world, the country's long-term objective is to transform these reserves into a clean and efficient form of energy for the household market (as a replacement for LPG and natural gas) as well as for the transportation industry (as a replacement for diesel).

As an alternative fuel, DME is an appropriate solution in the PRC government's search for clean fuel.

Currently, our annual production capacities for DME and methanol are 750,000 tons and 80,000 tons respectively.

The utilisation rate of our in-house methanol plant will be determined largely by the price spread between methanol and anthracite coal (feedstock for methanol). The methanol plant's output will be utilised largely by our DME plant in Linyi, Shandong Province.

The price spread between DME and methanol (feedstock for DME) and the sales volume of DME will determine the results of our DME operations.

11. If a decision regarding dividend has been made:

(a) Whether an interim (final) ordinary dividend has been declared (recommended); and

None.

(b) (i) Amount per share

Not applicable.

(ii) Previous corresponding period

Not applicable.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable.

Not applicable.

(e) The date on which Registrable Transfers received by the company (up to 5.00pm) will be registered before entitlements to the dividend are determined.

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect

No dividend has been declared or recommended for the financial period ended 31 March 2014.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

Name of interested person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)	
	Three Months ended 31-Mar-14 RMB'000	Three Months ended 31-Mar-13 RMB'000	Three Months ended 31-Mar-14 RMB'000	Three Months ended 31-Mar-13 RMB'000
Shandong Jiutai Chemical Technology Co., Ltd.				
Rental paid/payable	601	599	-	-
Jiutai Energy Inner Mongolia Co., Ltd.				
Purchase of methanol	-	-	32,599	-
Sale of property, plant and equipment	256	-	-	-
Sale of materials	219	-	-	-
Compensation income	-	-	2,580	916
Shandong Jiutai Industrial Gas Co., Ltd				
Rental income	102	-	-	-
Sale of electricity	111	-	-	-

Compensation income was accrued in accordance with the DME agreement dated 8 January 2010.

14. The Singapore Code on Take-overs and Mergers

On 11 November 2013, the Company and Lianguo International Limited ("**Offeror**") jointly announced ("**Announcement**") that the Offeror had presented to the directors of the Company ("**Directors**") the Delisting Proposal (as defined in the Announcement) to seek the voluntary delisting of the Company from the Official List of the Singapore Exchange Securities Trading Limited pursuant to Rules 1307 and 1309 of the Listing Manual. Under the terms of the Delisting Proposal, the Offeror will make the Exit Offer (as defined in the Announcement) at the Exit Offer Price (as defined in the Announcement).

As such, the Company is regarded to be in an "offer period" under the Singapore Code on Take-overs and Mergers ("**Code**"). In view of the Offer, this Announcement has been reported on in accordance with Rule 25 of the Code with the following Annexures:

Annexure I - Report dated 15 May 2014 from Moore Stephens LLP Public Accountants and Chartered Accountants of Singapore ("**Independent Auditors of the Company**"), on their review of the interim financial information in this Announcement

Annexure II - Report dated 15 May 2014 from Asian Corporate Advisors Pte. Ltd., the **Independent Financial Adviser** (“IFA”) to our Directors who are considered independent for the purpose of making a recommendation to our shareholders in respect of the Offer, on their review of the interim financial information in this Announcement

15. Negative assurance

We, Cui Lianguo and Wong William, being two directors of China Energy Limited (“Company”), do hereby confirm on behalf of the Board of Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the board of directors of the Company which may render the financial results for the first quarter ended 31 March 2014 to be false or misleading in any material aspects.

On behalf of the Board of Directors

Cui Lianguo
Executive Chairman and CEO

Wong William
Executive Director

BY ORDER OF THE BOARD

Cui Lianguo
15 May 2014